

State of the State Address
Governor Matt Blunt
First Regular Session, 93rd General Assembly
January 26, 2005

Lt. Gov. Kinder, Mr. Speaker, Mr. President Pro Tem, distinguished state officials, judges of the Supreme Court, members of the General Assembly, reverend clergy, fellow Missourians:

I come before you this evening to share my vision for leading Missouri in a new direction. I am grateful for the opportunity to work with you to create a state government that respects the people and responds to their needs. It is my duty to recommend to you a budget for Fiscal Year 2006.

The past several years have been difficult for our state. Missouri's job loss crisis has hurt families in every region, reduced state revenue, and increased the demand on already strained social programs.

Missouri students and schools were caught in a political crossfire between the executive and legislative branches of government. Paralysis in the state Capitol caused local school boards to cut their budgets because they did not know how much money the state would provide.

State government's failure to reform the courts drove cherished family doctors and medical specialists from Missouri or out of practice altogether. Our current court system is unfair to doctors, but more importantly it harms every Missourian who struggles to find affordable medical care.

In spite of advances in technology and changes in the economy, state government still operates on an obsolete 1970s model. We have a typewriter government in an Internet age. Few efficient businesses and organizations are structured today the way they were 30 years ago. Missouri taxpayers are not getting full value for their hard-earned tax dollars.

My administration will focus on reversing this course and making Missouri a national leader and a model for other states.

First, so that all Missouri children can reach their full potential, we must make education our highest public policy and budget priority.

Second, to spur economic growth, we must help Missouri's entrepreneurs and employers create and retain good, family-supporting jobs.

Third, to enhance the quality of life, we must improve access to, and the affordability of, quality health care.

Finally, to give taxpayers proper value for their hard-earned tax dollars we will build a modern and efficient state government.

That is why I already signed an executive order prohibiting the purchase of additional cell phones, non-emergency vehicles and office space. We have closed an unnecessary Washington, D.C. lobbying office.

It is also why I have asked Stephen Bradford and Warren Erdman to lead a commission designed to re-evaluate the structure of our state government.

Missourians are ready for these changes and more. I invite all of you, regardless of party, to join with me in providing a government worthy of the people of this great state.

Public education is an investment in our future. If it is to be our top public policy priority, then it must also be our highest budget priority. That is why my budget provides 170.6 million dollars in new funding for our public schools.

This is a 4.7 % increase over last year. Tonight, I reaffirm my commitment that dollars approved for our classrooms will never be withheld under any circumstances whatsoever.

We must make this commitment to our school children in spite of anemic growth in the general revenue budget.

We must also make this commitment without any new job-killing taxes.

The budget that I submit to you tonight is based on the revenue that we will receive. This budget is not built upon tax increases. I do not, and will not, support increasing the tax burden on Missouri families. This means that we must make responsible and often difficult decisions in the rest of the budget.

My budget calls for significant reductions in spending for some state agencies and programs. It demands that state government live within the people's means, with no new job-destroying taxes that harm working families and diminish future economic opportunities.

We must meet our obligation to those who are truly in need of public assistance, but the current Medicaid program has grown far beyond the taxpayers' ability to pay. Rising health care costs and program expansions by previous administrations more than doubled expenditures in just six years. Without reform, Missouri will spend a larger percentage of our total budget on Medicaid than all but one other state. Without aggressive action we cannot properly fund education, or any of our other public

policy priorities. With this in mind, I am proposing that we reform our state's Medicaid program. The program and eligibility changes included in this budget were not easily reached decisions, but we have put off the tough decisions for too long. Now is the time for decisive action. Missourians can no longer afford the second most expensive Medicaid program in the United States.

The reformed Medicaid Program will still spend over 5.3 billion dollars. That is 26% of our total state budget. Even after restructuring, we will still dedicate a larger share of our budget to Medicaid than all but 14 states. In other words, 35 other states will spend a smaller percentage of their budget on Medicaid even after we make these much needed changes. Working together, we must create a sustainable Medicaid program that is capable of providing medical care to those who truly need assistance.

There are well documented instances of individuals defrauding the Medicaid system and costing taxpayers millions of dollars each year. I am committed to stopping this theft of taxpayer dollars and I ask you to pass legislation requiring the Department of Social Services to conduct annual eligibility reviews of every Medicaid recipient. This and other anti-fraud measures could allow us to reclaim 75 million dollars in lost revenue for Missourians who truly need public assistance.

The Medicaid eligibility and program changes outlined in this budget will save 626 million dollars in state and federal revenue.

My budget protects all children and expectant mothers covered by Medicaid. Both of these initiatives are responsible uses of taxpayer dollars. Since 1998, the State Children's Health Insurance Program has extended health care coverage to more than 87,000 young Missourians. The CHIP's program is a proactive investment in the future of Missouri's children.

Over the past several years, the state's child welfare system has failed to adequately address the needs of children in its care. Child abuse and neglect offend the basic values of our state. We have a responsibility to provide safe settings for at-risk children and facilitate permanent placement for children who cannot return home. I propose that the state commit 9.5 million dollars to strengthen subsidized adoption and guardianship programs that find permanent homes for children in foster care. I also propose that we commit 7 million dollars to fund a rate increase for providers of residential treatment services for abused and neglected children.

I believe in the sanctity of life and in protecting unborn children. I support improved conscience protections for health-related professionals. I also support funding alternatives to abortion programs. And this year, I ask the Missouri General Assembly to pass legislation that prohibits the transporting of a minor across state lines for the purpose of obtaining an abortion without parental consent.

The Parents as Teachers program helps prevent child abuse, reduces the number of children in special education programs and ensures that young Missourians are better prepared to learn and advance to the next grade when they start school. This initiative has strengthened the essential bond between parents and their children in thousands of Missouri families. My budget also includes a 5 million dollar increase in the Parents as Teachers program.

The A+ Schools Program encourages high school students to stay in school, make career plans and graduate with the skills and knowledge required for career success. This program provides two years of community college education for students who meet specific requirements. I believe in the A+ program and my budget includes a 4 million dollar increase for this initiative.

Missouri ranks last in combating youth smoking. Most adult smokers start as teens. Missouri has not spent a single penny that we have received from the tobacco settlement to help young people kick the habit or prevent others from starting. This is wrong and my budget sets aside \$875,000 as a first step to reduce smoking by our young people.

To provide relief and assistance to Missouri seniors, I have allocated funds to continue Missouri's Senior Rx program. This will give us time to analyze recently published federal rules for the Medicare prescription drug benefit. We must determine if, and then perhaps how, the state can complement the new federal prescription drug benefit.

In addition, to provide better in-home service care for seniors in their homes, I have included a \$2 per hour wage increase for home health care providers.

Under my budget, Missourians with developmental disabilities would enjoy a higher quality of life in a less restrictive environment, instead of in a state-operated institution. I support plans to expand private-sector community placements through closure of the state-operated Bellefontaine Habilitation Center. These actions will save the state 13.8 million dollars and benefit Missourians with developmental disabilities.

This budget also calls for a reduction of over 1,000 of our state's 60,000 full-time government positions. These positions are spread all across our state, but to balance the budget, additional reductions

beyond those that I have specifically identified are necessary. Such reductions must be achieved through better management without harming vital state programs. I am committed to rooting out wasteful spending and I have tasked my department directors with developing budget strategies for Fiscal Year 2006. My budget is based upon a 20% reduction in discretionary spending. Reductions in Fiscal Year 2006 will be part of a smaller core budget in the following years. This action is necessary if we are to increase funding for our public schools and hold the line on taxes.

Missouri is blessed with dedicated public servants. Together we will be tested as we work to reduce costs and deliver better service. Missourians want fair pay for their employees. We should not wait until an election year to do the right thing and I propose a 1% pay increase for all of Missouri's state employees. This does not apply to elected officials.

No new taxes are proposed in my budget. Missouri families pay enough in taxes. They want their state government to live within its means and to make difficult choices, just as they do, when times are tight.

Legislative Priorities

Now, I am pleased to present my legislative initiatives for better schools, a stronger economy, better health care and other important needs.

My number one legislative priority is public education. Few among us tonight in the State Capitol or at home believe the current school funding formula is acceptable. It fails to distribute public funds fairly and has created a system of have's and have not's.

Prior to being sworn into office, I invited teachers, administrators and legislative leaders from both sides of the aisle to an education summit. I said then, and I believe today, that working in a cooperative spirit we can craft a new school funding formula this legislative session that positively affects the lives of young Missourians.

I would like to introduce you to two Missouri students, Caroline Greenberg and Josh Wimpey. Both go to a public school. They are both loved by their families. They are equal in the eyes of God. They should be equal in the eyes of the state. However, one of their school districts spends \$13,376 per year per child and the other one spends \$5,175. That is neither right nor fair.

It is our responsibility as elected officials to fix this problem. Missourians expect and deserve no less.

We are all striving to find a formula that meets the needs of Caroline, Josh and all of our children. The consensus we reach should be based on principles that will offer fundamental change. First, we should allow some school districts to opt out of the formula. In exchange for no state assistance, they will free themselves from most state regulations. This will free up resources for our neediest schools. Second, we should distribute gambling and lottery revenue to school districts on a per pupil allocation. This will allow locally elected school boards to determine how to spend these dollars. Third, we should give school districts a new local option to use either the sales or income tax instead of the property tax. Finally, we must ensure that the special education needs of Missouri students are carefully considered. Again, education is my number one priority and a new formula must be crafted to ensure every Missouri child receives a world-class education.

A college education is increasingly a requirement for success in the workplace. Therefore, my budget maintains the current level of funding for our state's colleges and universities. To help families with children who wish to continue their education beyond high school, I look forward to working with Treasurer Steelman to expand Missouri's 529 plan, commonly referred to as MOST. The MOST fund's overall performance is of great concern to parents investing in the program. Currently, this program is operated by one fund manager and investors have few choices. I believe that Missouri should offer parents other options and that adding this element of competition will improve the fund's overall results.

To create greater opportunity for all Missourians we must improve our entrepreneurial climate.

High workers' compensation insurance premiums are costing Missouri jobs. In 2003, premiums increased by 13.8%. These premiums detract from an employers' ability to reinvest and grow his or her business and to hire new workers. Some Missouri companies have discovered that they can realize significant workers' compensation savings by moving to a neighboring state. The same problems plague even our public schools. In 2001, the Springfield Public School District spent \$451,000 on workers' compensation insurance. In 2004, the District spent 1.4 million dollars – a nearly 1 million dollar increase. These are funds that District could have used to hire 24 additional teachers. Our workers' compensation system must ensure that every injured worker is fully and adequately compensated for work related injuries. But, we cannot afford a system that places us at a competitive disadvantage with other states. Missouri cannot effectively compete with other states for good, family-supporting jobs unless we address this problem.

We need to examine our regulation of telecommunications companies to take into account the changes in technology and realities of the market. The telecommunications industry is critical to the continued expansion of Missouri's economy. Telecommunications technology is changing rapidly and the marketplace is fast outpacing regulation. While making these changes, we must ensure that competitors are treated equally, that investment in infrastructure is encouraged and that consumers receive the benefits of competition.

Assisting our citizens in their efforts to preserve and improve their health is a critical mission of government. In recent years, our state has not given our family caregivers the protection they deserve from out of control medical malpractice insurance costs. This crisis hits every region of our state.

Now, I would like you to join me in welcoming Dr. Anthony Heit who is an OB-GYN. Because of the rising costs of medical malpractice insurance, he was forced to relocate his 13-physician practice to Kansas. What has happened to Dr. Heit, his partners and most importantly his patients has happened all across our state. Rural communities and entire counties lack doctors who will deliver babies. In our largest cities, hospitals and trauma centers have closed due to the loss of skilled specialists. The current litigation climate has created a healthcare crisis, and we must implement real reform now. Thank you for being here tonight Dr. Heit. I look forward to working with this legislature to make the much needed changes that will allow you, and other medical professionals, to return to our great state.

A comprehensive litigation reform bill should include limits on punitive and non-economic damages, strict venue restrictions and increased sanctions against unscrupulous attorneys who file frivolous lawsuits. I support a non-economic damage cap of \$250,000. This reasonable cap has been a part of the solution in other states that have effectively addressed this problem. This bill should also eliminate joint and several liability, a rule that runs counter to fairness and common sense. Under the current system, a party can be forced to pay 100% of a settlement even if they are only 1% liable. I encourage you to pass a comparative fault rule that makes each defendant liable only for that portion of the damages for which they are directly responsible.

The same litigation reform that will improve health care will also help Missouri's small businesses create jobs and economic opportunity.

Strong economic growth also requires a safe and modern transportation system. Keep in mind as you consider possible changes to Missouri's transportation governance that MoDOT is a total transportation agency. I propose adding two members to the Transportation Commission—one representing air and mass transit and one representing freight and river transit. This change would create a total transportation emphasis within the Commission. Let me also assure you that my administration will keep faith with Missouri voters and fully implement Amendment 3. We will ensure that every tax dollar collected for transportation will be used to improve Missouri's transportation infrastructure.

Agriculture is the foundation of Missouri's economy. It is no accident that we are the best fed and best clothed nation in the world. It is because of the hard work and dedication of farmers all across the country and particularly right here in Missouri. Missouri farm families will benefit from many of the initiatives we are discussing tonight.

I support full funding for the bio-diesel and ethanol incentive funds, which will help position Missouri as a national leader in the fast-growing renewable fuels industry. This action will create new jobs in rural Missouri and lead to improved air quality for every Missourian.

Tonight, I assure communities all across our state that my administration will fully implement the Missouri Rural Economic Stimulus Act, which allows rural communities and counties to knock down barriers and create cutting edge agricultural opportunities.

Protecting Missouri families from violent criminals and ensuring that law enforcement officials have the support they need are two of the most important responsibilities of any governor and General Assembly.

Missouri leads the nation in the production of methamphetamine. In 2003, Missouri had more than twice as many meth incidents as any other state. Too many of our fellow citizens have suffered its ravages. Too many law enforcement officers have been killed or injured in the line of duty trying to fight this deadly epidemic.

I encourage you to pass legislation similar to a law in Oklahoma that has led to an 80% reduction in meth-related incidents. It would require that certain methamphetamine ingredients be purchased only through pharmacies and that customers' names be recorded. Such legislation will help stop methamphetamine producers. The production of methamphetamine is an environmental hazard. It creates dangers for Missouri law enforcement. That is why we must extend Heart and Lung protection to Missouri's law enforcement officers similar to that which has been provided to Missouri's firefighters.

I am honored that one of St. Louis' finest has joined us here this evening. Sgt. John McLaughlin is one of Missouri's law enforcement heroes who keeps our families safe. Sgt. McLaughlin, a 13-year

veteran of the force, has been directly involved in working with neighborhoods in St. Louis besieged and threatened by crime for the past four years. He is helping to form a bond with residents and ensure that police and communities work together to stamp out the dangers that force people from neighborhoods - whether it be crimes against property or the constant presence of drug dealers. This kind of personal approach creates a partnership between law enforcement and the people they are bound to protect, and makes our streets safer for everyone. Thank you for being here tonight Sgt. McLaughlin and for your service to the people of St. Louis.

Patriotism is reflected in the faces of so many Missourians. Please join me in thanking those 562,000 brave Missouri veterans and their families for their service to America. As governor, I will never forget the sacrifices of our veterans and we will work hard to meet the needs of veterans' homes, cemeteries and veteran service programs.

We also want to recognize the current sacrifice and commitment of Missouri's citizen soldiers and their families. Missourians stand in defense of freedom around the globe. Two of Missouri's heroes are here with us tonight. Please join me in thanking Lt. Col. A.J. Probst and Sgt. Cindy Smart. Lt. Col. Probst was part of the team that helped liberate Afghanistan and create an independent army to defend its war-torn borders. Lt. Col. Probst was also able to watch as the first female ran for President of Afghanistan, a country that only a few years ago would not allow a woman to speak without the approval of her husband. Thank you Lt. Col. Probst.

Even as daily mortar attacks struck her base camp in Tikrit, not far from where Saddam Hussein was flushed from his hole in the ground, Sgt. Cindy Smart of the 235th Engineer Detachment supported our fighting troops. Thank you for being here tonight Sgt. Smart and for your steadfast service to our country.

We must continue to be mindful of the sacrifices being made by Missouri's guard and reserve members and their families. Let us never forget and honor always the ultimate sacrifices of the 29 Missourians who have given their lives in defense of our freedoms since March of 2003.

As we all know, there are many challenges before us, but where there are challenges there are also opportunities. The decisions reflected in my budget are not the easy decisions, but they are the right ones for our state. I will not lead you down a path of denial. We can no longer hide from our problems. My duty is to lead our state towards our full potential. I will not shirk this responsibility. I ask all of you to rise above partisanship and join in this great effort. Working together, we can provide every Missouri child with a world class education, improve access to affordable health care, provide a climate that helps entrepreneurs create good, family-supporting jobs, reevaluate and retool the structure of our government and hold the line on job-killing taxes.

The people expect us to work together, as partners, to bring positive change to Missouri. As Thomas Jefferson reminds us, not every difference of opinion is a difference of principle. I invite each of you to join with me in a partnership for progress that will benefit all the people of Missouri.

Thank you for allowing me to address you this evening. May God continue to bless each one of you and may God bless the Great State of Missouri.